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RUEHBJ/AMEMBASSY BEIJING PRIORITY 0071  
RUEHLO/AMEMBASSY LONDON PRIORITY 1207  
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UNCLAS SECTION 01 OF 02 TUNIS 002749

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STATE PASS USTR (BELL), USPTO (ADLIN AND ADAMS), USAID (MCCLLOUD)  
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CASABLANCA FOR FCS (ORTIZ)  
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SUBJECT: TUNISIA ECONOMIC HIGHLIGHTS: Oct. 16 - Oct. 31

REF: A. TUNIS 2744

B. TUNIS 2684

[1](#)C. TUNIS 2598

[1](#)1. (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

- [1](#)A. GOT to Issue a Travel Allowance Card
- [1](#)B. GOT Projects 5.3 percent GDP Growth for 2006
- [1](#)C. Central Bank Concerned About Household Debt
- [1](#)D. Tunisia Signs Science Cooperation Deal with China

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GOT to issue a travel allowance card by end of 2006  
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[1](#)2. (U) According to local press reports, the GOT plans to issue a travel allowance card, called the "carte allocation touristique" (CAT), by the end of 2006. The special credit card is intended to facilitate payment and withdrawals in foreign currency for Tunisian residents and students while they are abroad. The card will function much as a conventional credit card and will allow Tunisians to make hotel reservations abroad; however, it cannot be used for ordering goods and services on the Internet. Tunisian credit cards are not valid for use outside of Tunisia.

[1](#)3. (SBU) Comment and Background: The Tunisian dinar is not fully convertible. Tunisians are allocated an annual per person travel allowance of foreign currency. Currently the allowance is the foreign currency equivalent of 2,000 dinars (roughly 1500 USD), but President Ben Ali recently announced the allocation will be increased to 4,000 TND (3,000 USD) (Ref A). The creation of the travel allowance card is indicative of a gradual ease in restrictions on foreign currency transactions. The GOT has announced plans to make the dinar fully convertible by 2009. End Comment and Background.

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GOT Projects 5.3 percent Growth for 2006  
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13. (U) The GOT's National Institute of Statistics (INS) projects that GDP growth will reach 5.3 percent for 2006, lower than the 5.8 percent initially forecast but still an increase over 2005 (4.2 percent). While the INS survey showed a 4.1 percent increase in industrial production and a 5 percent increase in receipts in the tourism sector, high inflation, now 4.7 percent (Ref B), and the growing trade deficit (Ref C) have lowered expectations. According to a banking sector contact, Prime Minister Ghannouchi recently presented estimates to a gathering of bankers showing that high oil prices have shaved one percent off of GDP growth. Foreign direct investment also showed a modest 0.5 percent drop in the industrial sector but a substantial 58.7 percent decrease in the services sector.

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Central Bank Concerned About Household Debt  
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14. (SBU) The Tunisian Central Bank (BCT) raised its key interest rate from 5 to 5.25 percent, representing the first hike since 2003. According to French daily Le Temps, in July, the BCT issued an internal note asking banks to restrict lending to households for consumption (Ref B). Philippe Amestoy, Director General of Union Internationale de Banques (UIB), told EconOff that the BCT also directed banks to reduce the term for loans reimbursement from 7 to 3 years, in an effort to discourage household debt. During the first half of 2006, the total volume of household debt, held by the approximately 10 million Tunisians, reached nearly 4.8 billion dinars (roughly 3.66 billion USD) exceeding the same volume for all of 2005, 4.5 billion dinars (approximately 3.43 billion USD). These loans were primarily used to finance real estate (60 percent), cars (5 percent), equipment and building materials.

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15. (SBU) Comment: Although the Central Bank has expressed concern about the growth of household debt, the level of household debt remains manageable and below that of most Western countries. The higher interest rates, in combination with the reduced loan terms, may reduce the demand for consumption loans. However, the interest rate hike may also be motivated by a desire to curb rising inflation, which has recently reached 4.7 percent.

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Tunisia Signs Science Cooperation Deal with China  
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16. (U) On October 23, China and Tunisia signed a scientific cooperation agreement in a bid to promote science development and technology transfer. The agreement was announced during a meeting in Tunis between Taieb Hadhri, the Tunisian Minister for Science and Technology and Wu Zhongze, China's Vice-Minister for Science and Technology. The deal paves the way for scientific cooperation between research institutes, scientific communities and technology organizations from each country. It will encourage the exchange of knowledge and expertise in the areas of desertification, management of arid lands, peaceful use of nuclear energy, sea technologies and new technologies in the textile sector. A joint commission for cooperation will be established to discuss and approve scientific cooperation programs. The agreement was concluded ahead of the summit meeting of the Forum on China-Africa Cooperation, held in Beijing, November 3-5.

17. Comment and Background (SBU): China has recently shown an unprecedented interest in expanding business and trade with Tunisia. The Chinese government continues to establish goodwill for its companies through programs of technical assistance, donations, and other type of grants to Tunisia. Chinese companies have invested multiple sectors, including sports and recreation, water supply and sewage, environmental protection, energy and telecommunications. Chinese investment in the telecom sector has particularly aggressive, with Huawei and ZTE (Zhong Xing Telecommunications Equipment Company Limited) receiving lucrative contracts from the GOT for mobile phone and internet network equipment and services.

End Comment and Background.  
BALLARD